

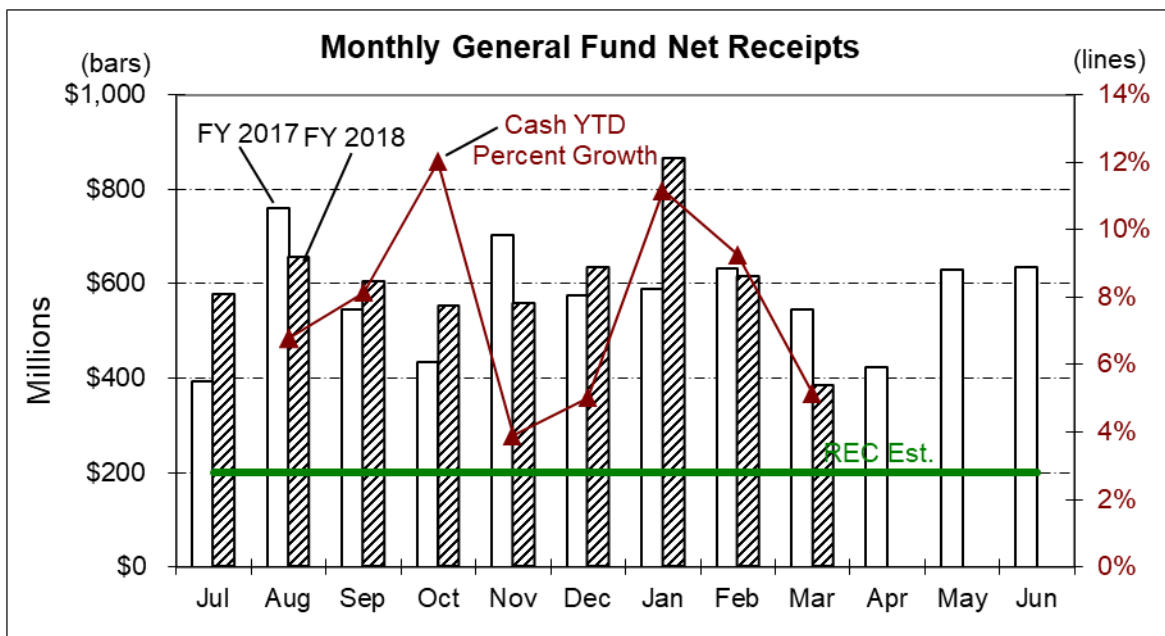
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: April 2, 2018

### Monthly General Fund Revenue Receipts Through March 31, 2018

The attached spreadsheet presents FY 2018 General Fund total net receipts with comparable figures for actual FY 2017. The figures can be compared to the FY 2018 estimate of \$7.160 billion set by the Revenue Estimating Conference (REC) on March 9, 2018. The FY 2018 estimate is an increase of \$195.6 million (2.8%) compared to FY 2017 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



### Overview of Current Situation

March 2018 net General Fund revenue was \$163.4 million (-29.9%) below the March 2017 revenue level. Cash fiscal year-to-date net receipts are \$265.4 million (5.1%) higher than FY 2017. There are three factors that complicate comparisons of year-to-date growth and month-to-month growth:

- First, recent federal tax changes have increased personal income tax estimate payments received by the State. Estimated payments received in December and January are \$109.4 million higher than FY 2017. An unknown portion of the increase is a result of the federal law change.
- Second, income tax refund processing is now ahead of last year's pace.

- Third, there has been a significant increase in sales/use tax refunds issued this fiscal year. This has negatively impacted revenues by \$40.6 million.

Major sources of revenue and their contributions to the FY 2018 year-to-date revenue change include:

- Personal income tax (positive \$221.6 million, 7.0%).
- Sales/use tax (positive \$104.8 million, 5.0%).
- Corporate tax (positive \$19.6 million, 6.5%).
- Other taxes (positive \$2.3 million, 1.3%).
- Other receipts (positive \$4.3 million, 2.0%).
- Tax refunds not including school infrastructure refunds (negative \$97.6 million).
- School infrastructure sales/use tax refunds (positive \$10.3 million).

## Fiscal Year Growth

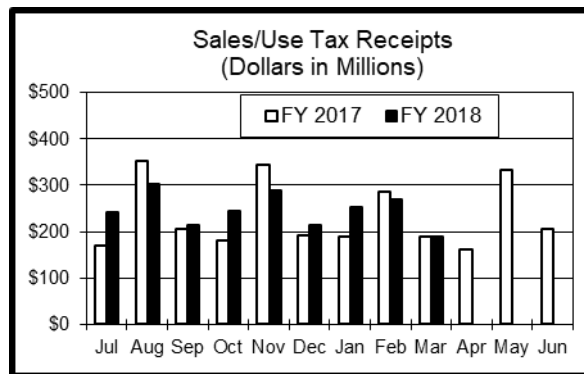
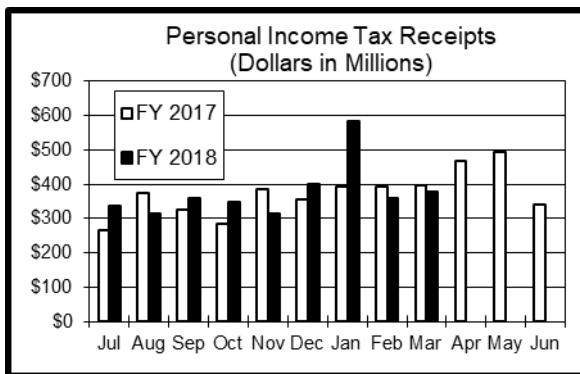
Converting receipts from a cash year basis to a fiscal year basis results in the following table for year-to-date net growth in the following receipts categories:

<b>Net General Fund Receipts Through March 31, 2018</b>					
Fiscal Year-to-Date, Gross Receipts Net of Refunds, in Millions					
	FY 2017	FY 2018	\$ Difference	% Difference	
Net Income	\$ 2,637.8	\$ 2,777.9	\$ 140.1	5.3%	
Net Sales/Use	1,550.3	1,597.2	46.9	3.0%	
Net Corporate	185.7	170.0	-15.7	-8.5%	
Net Franchise	14.2	12.5	-1.7	-12.0%	
Net Inheritance	50.6	44.7	-5.9	-11.7%	
Net Insurance & Other Taxes	72.0	69.9	-2.1	-2.9%	
Other Revenue	197.2	198.5	1.3	0.7%	
Net Revenue	\$ 4,707.8	\$ 4,870.7	\$ 162.9	3.5%	

## Revenue Categories

**Personal Income Tax** revenue received in March 2018 totaled \$378.3 million, a decrease of \$17.6 million (-4.4%) compared to March 2017.

The FY 2018 REC income tax estimate of \$4.737 billion represents a projected increase of 6.0% compared to actual FY 2017. Through March 2018, personal income tax receipts increased \$221.6 million (7.0%). By subcategory, withholding payments increased \$121.0 million (4.5%), estimate payments increased \$105.3 million (30.5%), and payments with returns decreased \$4.7 million (-2.9%). The following chart compares FY 2017 and FY 2018 monthly income tax receipts from the three personal income tax subcategories.



**Sales/Use Tax** receipts received in March 2018 totaled \$188.0 million, a decrease of \$1.9 million (-1.0%) compared to March 2017.

The REC estimate for FY 2018 sales/use tax receipts is \$2.939 billion, a projected increase of 4.5% compared to actual FY 2017. Through March 2018, sales/use tax receipts increased \$104.8 million (5.0%). The preceding chart compares FY 2017 and FY 2018 monthly sales/use tax receipts.

**Corporate Income Tax** receipts received in March 2018 totaled \$22.4 million, a decrease of \$14.2 million (-38.8%) compared to March 2017.

The REC estimate for FY 2018 corporate tax revenue is \$564.8 million, a projected increase of 2.7% compared to actual FY 2017. Through March 2018, corporate income tax receipts increased \$19.6 million (6.5%).

**Other Tax** receipts received in March 2018 totaled \$20.2 million, a decrease of \$0.3 million (-1.5%) compared to March 2017.

The REC estimate for FY 2018 other tax revenue is \$270.5 million, a projected increase of 0.1% compared to actual FY 2017. Through March 2018, other tax receipts increased \$2.3 million (1.3%).

**Other Receipts** (nontax receipts) received in March 2018 totaled \$25.6 million, a decrease of \$8.6 million (-25.1%) compared to March 2017.

The REC estimate for FY 2018 other receipts revenue is \$308.7 million, a projected decrease of 0.5% compared to actual FY 2017. Through March 2018, other receipts increased \$4.3 million (2.0%).

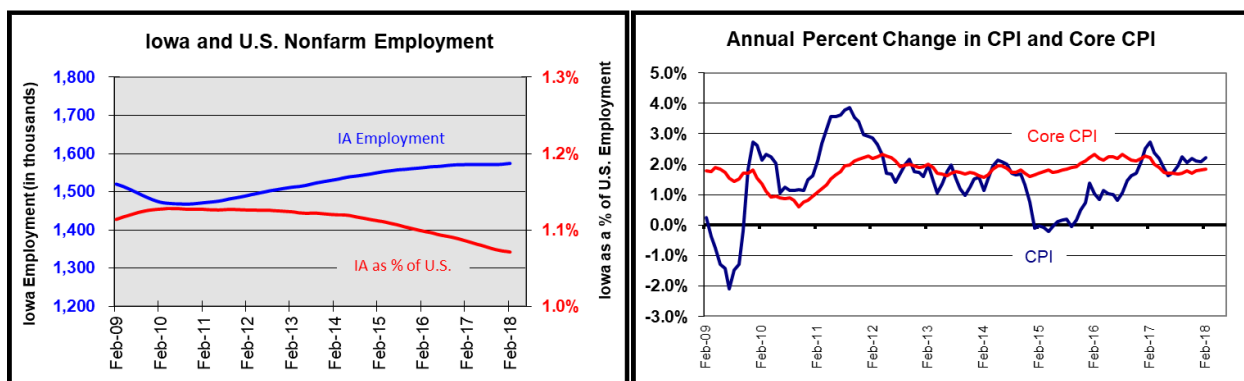
**Tax Refunds** issued in March 2018 totaled \$217.8 million, an increase of \$121.3 million compared to March 2017. In addition to regular refunds, school infrastructure refunds totaled \$34.5 million, a decrease of \$0.2 million compared to March 2017.

## Status of the Economy

Iowa nonfarm employment was reported at 1,559,500 for the month of February 2018 (not seasonally adjusted), 12,100 (0.8%) higher than February 2017.

Iowa's 12-month average nonfarm employment is presented as the blue line on the following chart. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, which was 47,700 above the peak reached prior to the previous recession (January 2001). The current 12-month average reading is now 1,574,400, resulting in an annual average Iowa nonfarm employment level that is 48,000 above the October 2008 peak.

The red line on the employment chart presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010. Iowa's percent of U.S. employment is currently at its lowest level in the history of the indicator.



The Consumer Price Index (CPI) through February 2018 was 249.0 (1983/84=100). Consumer prices increased 0.5% in February (not seasonally adjusted) and the annual rate of inflation increased to 2.2%, an increase of 0.1% from the previous month's level.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.5% in February 2018 and increased 1.8% year-over-year. This is the eleventh month the core inflation rate has been below 2.0% since November 2015. For the two components excluded from the core rate, energy prices are up 7.7% year-over-year and food prices are up 1.4%.

Further information can be found on the Fiscal Services Division webpages related to [State General Fund Daily Receipts](#) and other [Iowa Economic Trends](#).

GENERAL FUND RECEIPTS FY 2018 vs. FY 2017 July 1 through March 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated using rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 2017 Actual Compared to FY 2018 REC Estimate		
	FY 2017	FY 2018	Year-to-Date % Change	March % Change	FY 2017 Actual	FY 2018 Estimated	Projected % Change
Personal Income Tax	\$ 3,169.9	\$ 3,391.5	7.0%	-4.4%	\$ 4,469.0	\$ 4,737.0	6.0%
Sales/Use Tax	2,110.3	2,215.1	5.0%	-1.0%	2,812.3	2,938.5	4.5%
Corporate Income Tax	301.8	321.4	6.5%	-38.8%	549.7	564.8	2.7%
Inheritance Tax	66.8	61.6	-7.8%	-36.4%	86.1	85.4	-0.8%
Insurance Premium Tax	66.5	70.3	5.7%	32.6%	114.8	117.3	2.2%
Beer/Liquor Tax	10.4	10.2	-1.9%	0.0%	14.0	14.0	0.0%
Franchise Tax	30.1	33.8	12.3%	-15.4%	53.8	52.4	-2.6%
Miscellaneous Tax	0.8	1.0	25.0%	33.3%	1.4	1.4	0.0%
Total Gross Taxes	\$ 5,756.5	\$ 6,104.9	6.1%	-5.2%	\$ 8,101.1	\$ 8,510.8	5.1%
Institutional Payments	\$ 7.7	\$ 9.3	20.8%	25.0%	\$ 11.5	\$ 9.2	-20.0%
Liquor Profits	85.7	86.5	0.9%	4.6%	116.0	116.1	0.1%
Interest	1.8	2.8	55.6%	200.0%	2.3	2.0	-13.0%
Fees	19.7	21.5	9.1%	-13.5%	25.4	23.8	-6.3%
Judicial Revenue	61.5	63.7	3.6%	0.0%	94.3	97.4	3.3%
Miscellaneous Receipts	43.6	40.5	-7.1%	-81.3%	60.6	60.2	-0.7%
TOTAL GROSS RECEIPTS	\$ 5,976.4	\$ 6,329.1	5.9%	-6.3%	\$ 8,411.2	\$ 8,819.5	4.9%
Accrued Revenue — Net					73.5	-2.7	
Tax Refunds *	-447.6	-545.2	21.8%	125.7%	-1,059.8	-1,177.4	11.1%
School Infrast. Refunds *	-356.4	-346.1	-2.9%	-0.6%	-460.4	-479.3	4.1%
TOTAL NET RECEIPTS	\$ 5,172.4	\$ 5,437.8	5.1%	-29.9%	\$ 6,964.5	\$ 7,160.1	2.8%
* For the Year-to-Date columns, refunds are presented on a cash basis. For FY 2017 Actual and FY 2018 Estimate, refunds are presented on a fiscal year basis. The FY 2017 column is final.							